

Mexican dollar in Shanghai, the British dollar in Canton and Peking. Some few notes are redeemable in taels. The notes issued in one city are not universally received at par by the branches of the issuing bank in other cities.¹

China's foreign trade has been subject, ever since the fall of silver, to excessive and violent fluctuations in rates of exchange. This fact has had a marked influence both upon mercantile activity and upon the character of banking."¹ The foreign banks established in the country are exchange banks, deriving the larger share of their profits from fluctuations in the gold value of silver and in the changing relations of supply and demand for Mexican dollars and other coins. The effect of a fluctuating standard was to make it impossible for them to embark European capital permanently in Chinese enterprises or to enter largely upon loans upon domestic transactions. While their capital, expressed in European gold money, constantly depreciated with the fall of silver, their profits increased in the case of notes, deposits, and other obligations payable in silver. Thus, their notes, issued when silver had a high gold value, became * drafts without any fixed maturity which the bank was able during a long term of years to allow to liquidate themselves by the fall in the metal which it had promised to pay."^a Out of similar considerations grew their operations in exchange with Europe, by which they so efficiently protected themselves against the fall in silver that their transactions never failed in the long run to show a handsome net profit.⁴

¹Jenks declared that the discount is sometimes as high as five per cent.—Commission on International Exchange, 1904, 48.

²Jenks declares that the fluctuation in exchange "has made the import and export trade partake so much of the nature of gambling that, although some fortunes have been made, others have been lost through no fault of the merchants concerned."—Commission on International Exchange, 1904, 45.

³This definition is that of Dubois, in his interesting analysis of the character of the foreign banks in China and the reasons why this character has been almost inevitable.—& Empire de V Argent, 44.

⁴For earnings of the Hong-kong and Shanghai and the Chartered Bank, see *infra*, 592-93.